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MAY MERGERS — TABLE ON PAGE 15

American Banker

The Daily Financial Services News

VOL. CLIII NO. 115 Tuesday, June 14, 1988

155389000015 2/ 5/07 C11
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Today

Salesmanship is a key factor for mutual fund providers seeking a marketing network. ____2

Financial institutions oppose a Reagan administration proposal to have lenders share some of the risk of guaranteed student loans. ____2

Continental Illinois Corp. has hired a former Citicorp executive, C. Robert P. Meyjes, to head all of its trading operations on all exchanges. ____2

Citicorp has selected its investment banking division and Goldman, Sachs & Co. to underwrite its lucrative credit card securitization business. 2

The Society for Worldwide Interbank Financial Telecommunications — Swift — has announced postponement of its second-phase expanded communications system for the third year in a row. ____3

Merger and acquisition activity among banks and thrifts dipped sharply in May. ____15

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Securities firms must radically reassess their management systems, according to Robert G. Eccles and Dwight B. Crane. ____8

Limiting risk in clearing and settlement systems is crucial to the stability of the financial system, says E. Gerald Corrigan, president of the New York Fed. ____12

CORPORATE FINANCE

A decreasing number of business failures should mean an improvement in commercial credit quality at banks, an analyst's study shows. ____20

PaineWebber Inc. named two people to fill one expanded position, promoting Robert Pangia and Arthur Sharples to codirectors of the corporate finance group. ____20

Security Pacific Corp. claims it is now unloading about $1.5 billion a day in short-term commercial loans to other investors, though rivals question the Los Angeles-based company's lending practices. ____21

Worth Repeating

By declining to review the decision of the lower court, the Supreme Court has given the Federal Reserve Board sweeping authority to restructure our financial system by regulatory edict.

Senate Banking Committee Chairman William Proxmire. [Page 1]

Bank of Boston Top Performer Among Nation's Money Centers

By L. MICHAEL CACACE

NEW YORK — The Bank of Boston Corp. was the nation's top performing money center bank in 1987, according to the *American Banker's* eighth annual survey of top U.S. banking companies, published today.

Among regional banks with assets of more than $20 billion last year, SunTrust Banks Inc., Atlanta, was the top performer. Among regional banks with assets of $10 billion to $20 billion, Banc One Corp., Columbus, Ohio, took top place.

The worst-performing money center bank was Mellon Bank Corp., Pittsburgh. The two worst regionals were based in Texas: the $33.2 billion-asset First RepublicBank Corp., Dallas; and the $12.3 billion-asset First City Bancorporation of Texas, Houston.

The *American Banker* survey covers the 51 commercial bank holding companies that had assets of $10 billion or more on Dec. 31, 1987. It breaks these companies into three peer groups: 12 money center banks, 20 regional banks with assets of $20 billion or more, and 19 smaller regional companies with assets of $10 billion to $20 billion. The survey is based on data supplied by Cates Consulting Analysts Inc., New York.

Top Bank Performer Tables Appear On Pages 6 and 10

Three key ratios are used in the survey: the return on average assets, the

Atlanta: Page 5 ➤

Random Thoughts

By SANFORD ROSE

Most banks say they are in business to maximize shareholder value. Yet, according to a recent survey, the great majority of institutions presently lack the tools with which to achieve this objective.

The typical bank has a mix of high-, low-, and negative-value businesses in its portfolio. Whether a business adds to or subtracts from shareholder value depends on its risk-adjusted return on equity.

In today's market, a business that fetches a risk-adjusted return of 14% or more is very likely a winner, while one that garners a return of less than that figure is probably a loser — i.e., it is actually dragging down the stock price.

Are banks in a position to measure the returns from individual businesses? Apparently not very well, say leading financial executives at 61 institutions recently surveyed by the First Manhattan Consulting Group in cooperation with the Bank Administration Institute.

Respondents at these banks, 13 of which have assets of over $10 billion and 48 have assets of less than $10 billion, were asked to gauge

Random Thoughts: Page 4 ➤

New Powers Allowed by High Court

Appeal Not Heard; Fed Ruling Stands

By BARBARA A. REHM and JAY ROSENSTEIN
Washington Bureau

WASHINGTON — Commercial banks gained new underwriting powers Monday when the Supreme Court refused to hear a securities industry challenge of a Federal Reserve Board decision to let banks enter the field.

The high court's decision is expected to jolt Congress into action on a banking bill, as the legislators fear losing their policy-making power to federal banking regulators.

"It's obviously good news for the big money center banks, particularly for Bankers Trust and J.P. Morgan," said Lawrence Cohn, senior banking analyst at Merrill Lynch Capital Markets. "They are pure wholesale institutions that have staked their future, to a large extent, on their ability to penetrate the investment banking industry."

After learning of the court decision, J.P. Morgan & Co. on Monday joined an underwriting syndicate led by Merrill Lynch & Co. The deal, which the Morgan group lost in a competitive bid, was to underwrite almost $40 million of Arizona municipal revenue bonds.

Bankers Trust New York Corp. said it "plans to begin immediately participating in the activities made possible by the Supreme Court's decision."

More cautious was Harry Larson, president of Chemical Securities Inc., a

Supreme Court: Page 31 ➤

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Continued from Page 1

their capacity to measure the risk-adjusted ROE of component businesses, organization units, products, and/or customers. Only 5% said that they are satisfied with the current state of their measurement capacity. Over 50% pointed out that it is either critical or very important to improve this measurement skill.

Lacking the ability to measure profit performance, the respondents find it difficult to allocate resources and equity to the various business units in order to maximize returns. Only 3% of the respondents are confident of their allocational efficiency. Over three-quarters feel the need for significant improvement in this area.

□ □ □

To get sound profitability data, it is first necessary to fully load applicable costs, to assign funds on a matched-maturity basis, and to impute the right amount of equity. Are banks satisfied with the soundness of their allocations in these areas?

About a third of the respondents think they are charging funds users an appropriate amount. Less than that percentage — only about a quarter — are happy with their allocations for back-office, sales-and-service, and credit-administration expense. And a mere 11% think they are imputing equity correctly.

Even more worrisome are the problems in risk adjusting returns. Only 7% of the respondents are pleased with current risk-assessment techniques, while over half acknowledge that it is either very important or critical to improve such techniques.

□ □ □

Comparatively few banks attempt to use fully loaded ROE as the basic measure of profitability at the product level. Since we will soon have risk-adjusted capital requirements, different bank products will require different capital backing, making it insuperably difficult to assess product attractiveness on a purely ROA basis.

Yet the respondents continue to prefer ROA to ROE, and a surprisingly large number confess that they are not even considering measurement systems based on fully loaded ROE with imputed equity.

Thus only 4% of the respondents have an installed and credible system for measuring the profitability of standby letters of credit on an ROE basis, and 64% say that they have no plans to build such a system. Some 16% of the respondents reliably measure the ROE of C&I loans, but over a third still don't think it's important to assess profitability in this fashion.

By contrast, banks seem convinced of the need to gauge the profitability of subsidiaries — e.g., leasing, mortgage banking, etc. — according to ROE. Nearly half feel they have a reliable system in place, and another quarter will shortly bring one on stream.

All in all, however, the picture is not especially encouraging. Banks are not yet in a position to know with the requisite accuracy which of their businesses and products are earning an acceptable rate of return and which are not. They therefore are handicapped in their effort to restructure in such a way as to promote the true interests of their shareholders.

According to Jim McCormick, president of First Manhattan Consulting, these findings tend to corroborate what his firm has learned in its practice. Most banks still don't have the right sort of management information system, but a happy few have broken away from the pack and either have constructed or are constructing the kinds of MIS that will materially aid them in their restructuring initiatives.

□ □ □

Susan Krause, a deputy comptroller of the currency, turned up at a recent American Banker-Bond Buyer conference to review some fascinating statistics. On a net income basis the profits of the banking industry, as is well known, were down over $14 billion in 1987.

But the decline was concentrated in large banks, which provisioned extensively for LDC loan losses. Thus, banks with over $10 billion in assets, which made $5.8 billion in 1986, lost $7.3 billion last year. And banks with from $1 billion to $10 billion in assets saw their profits fall from $6 billion to $4.6 billion.

Smaller institutions, however, did better in 1987 than in 1986. Banks with assets of from $300 million to $1 billion raised income by $100 million, to $1.6 billion, while banks with under $300 million in assets increased their aggregate returns from $3.3 billion to $4.4 billion.

For most banks, profitability stabilized in 1987. The median return on assets, which had been dropping since its high of 1.18% in 1980, inched up from .82% in 1986 to .83% last year.

Factoring out securities profits reveals an even more optimistic picture. Banks took a lot of such profits in 1986, but fewer last year. Net of these profits, the median ROA rose by about 10 basis points in 1987.

Largely accounting for this improvement is the recovery of the agricultural banks. This recovery is reflected in differential regional trends. Although ROAs in the Northeast and Southeast dropped, those in the Midwest — Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota — moved up smartly, from .73% in 1986 to .81% last year. Western banks also substantially hoisted ROAs.

In the central part of the country — Illinois, Indiana, Kentucky, Michigan, Ohio, and Wisconsin — there was a marginal improvement. But banks in the Southwest experienced a decline, from .41% to .37%.

Banking is clearly less profitable than it was 10 years ago, and, additionally, there has been an increase in the dispersion of returns. In 1978, about one bank in twenty-five lost money. By 1987, the proportion of money losers was close to one out of every five.

The top 5% of banks have experienced a steady, though not alarming, drop in returns in the last decade. However, the bottom 5% of banks have seen returns plunge catastrophically. In the early '80s, their losses totaled less than 1% of assets. But by the mid-'80s, the red ink amounted to between 2% and 3% of assets. In other words, while the good banks are somewhat less good than they once were, the bad banks have turned abysmal.

Credit quality, as measured by the median ratio of nonperforming to total assets, improved in every region of the country last year, except in the Southwest. Of particular note is that the nonperformer ratio dropped by 50 basis points in the Midwest and by 18 basis points in the central part of the country. However, the ratio rose by 40 basis points in the Southwest, from 2.3% to 2.7%, owing in large part to the region's well-publicized real-estate problems.

Considered by bank size, the nonperformer ratio dropped from 1.4% to 1.2% at banks with less than $300 million in assets and from 1% to .9% at banks with from $300 million to $1 billion in assets. The ratio remained level at $1-billion-to-$10-billion banks, while it increased from 2.1% to 2.7% at banks with over $10 billion in assets.

Ms. Krause reports that large-bank exposure to the four most troubled LDCs — Argentina, Brazil, Mexico, and Venezuela — is falling, as measured by the ratio of LDC debt to primary capital. This is in part due to the declining volume of LDC outstandings, but mostly to hefty increases in the denominator of the ratio — primary capital.

Primary capital as a percent of assets increased from 6.3% in 1978 to 7.8% last year. That's the good news. The bad news is that the ratio of true equity to primary capital is dropping. Last year, genuine equity fell from 84% to 76% of the total, while the proportion of loss reserves included in primary capital increased from 13% to 21%. ■

American Banker
The Daily Financial Services Newspaper
Established 1836
One State Street Plaza, New York, N.Y. 10004
(212) 943-6700

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Subscription Rates: U.S. $525.00, Canada $775.00.
Canada Air Mail and Foreign $1090.00. Single copy $3.45
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Published daily except Saturday, Sunday and holidays.
Second Class Postage Paid at New York, N.Y. and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

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THRIFT OBSERVER

Selling Fixed-Rate Originations: A New Strategy

By JOSEPH C. HU

OVER THE PAST six months, thrifts have been blessed with huge inflows of deposits. If these funds are not invested properly, however, the blessing may become a curse.

One investment that may not bring the best potential return is the origination of adjustable-rate mortgages with extremely low initial rates. Currently, initial adjustable mortgage rates average 7.8%, only 40 basis points above the one-year Treasury yield.

Mr. Hu is executive vice president and director of mortgage research at Shearson Lehman Hutton Inc.

Pressured to invest flooding deposits and fearful of losing market share, thrifts understandably try to stay competitive by offering the best adjustable rates to prospective home buyers. But originating low initial-rate, or teaser, mortgages may not be a practical solution.

Joseph C. Hu

The initial rate is upwardly adjustable if future market interest rates rise, but the adjustment is subject to caps — normally 200 basis points per year and 600 over the life of the mortgage. If future rates rise steadily, teaser adjustable mortgages may require more than two years to "float" above water. By that time, of course, the borrower may refinance the mortgage with another teaser.

Thrifts should consider originating and strategically selling long-term fixed-rate mortgages. This is an old strategy with a new implementation. Thrifts would originate fixed mortgages, but instead of selling them in the

Thrift Observer: Page 30

Atlanta's SunTrust and Ohio's Banc One Lead Regional Companies

Continued from Page 1

return on average equity, and the market-to-book value of a bank's stock. The return on average assets, or ROA, is net income as a percentage of average assets. The return on equity capital, or ROE, is net income as a percentage of average equity capital. The market-to-book value measures the market's perception of bank performance.

'Adjusted' ROA and ROE

The 12 money center banks also were ranked by the "adjusted" return on average assets and the "adjusted" return on average equity. These ratios are based on recurring net income, or net income minus the after-tax values of securities gains or losses, nonrecurring items, and the one-time special provisions attributable to Third World debt. The adjusted ratios measure the potential future earning power of an institution.

The *American Banker* ranked only the money center banks by adjusted ROA and adjusted ROE. Cates' data were available for nine of the 12 banks in the panel, and the *American Banker* was able to estimate the adjusted returns for two of the three remaining banks. The other bank calculated its adjusted returns based on Cates' definitions. It was not possible to adjust the data for all of the banks in the other peer groups; Cates' data were available for only 15 of the 39 banks in the two groups.

Bank of Boston posted adjusted returns on average assets and equity of 1.70% and 26.57%, respectively, to lead the money center group. J.P. Morgan & Co. was second in adjusted ROA, with a 1.10% ratio, and Bankers Trust Co. was second in adjusted ROE, with a ratio of 22.48%.

In unadjusted net income, Republic New York Corp. was the top money center bank, with an ROA of 0.16% and an ROE of 1.90%. Bank of Boston ranked third in the traditional measures of ROA and ROE, with ratios of 0.08% and 0.42%, respectively.

The money center bank with the worst ROA and ROE, on both an adjusted and unadjusted basis, was Mellon. Its adjusted ROA was -1.11% and its ROA was -2.59%. Its adjusted ROE was -27.62% and its ROE was -66.10%.

The *American Banker* defines a money center bank as a bank that is large in asset size; oriented toward commercial and industrial lending; noncore funded (funded by a high percentage of purchased money); and has a sizable international presence.

SunTrust Tops 3 Measures

The $27.2 billion-asset SunTrust Banks was the top large regional firm in all three measures of performance. Its ROA was 1.11%, up from 1.03% in 1986 when it ranked fifth; its ROE was 17.91%, up from 17% in 1986 when it ranked seventh; and its market-to-book ratio was 186.76%, up from 161.05 in 1986, when it ranked sixth.

SunTrust's Florida operations, known as Sun Banks Inc., posted a 20.5% increase in net income and an increase in ROA to 0.89% from 0.80% in 1986. "Major factors in improved earnings," the firm's annual report said, "were expense control, excellent growth in trust revenues, a 16.1% increase in average loans, and a lower domestic loan chargeoff rate."

The Trust Company of Georgia, Atlanta, SunTrust's lead bank, posted an ROA of 1.60% in 1987, as earnings rose 17.7% to $132.4 million in 1987. "Noninterest expense increased by only 3.6%," the annual report said, "while domestic loan chargeoffs decreased from .56% of average loans in 1986 to .44% in 1987. Average loans rose 18% during the year."

Among the regionals with assets of between $10 billion and $20 billion, Banc One again was the top bank in ROA, with a ratio of 1.19%, down from 1.36 in 1986. And again it was the top bank in market-to-book, with a ratio of 179.08%, down from 182.57% in 1986. Banc One was fourth in ROE, with a ratio of 15.25%.

Over the past six years, Banc One has been one of the nation's most profitable banks and has consistently ranked as one of the top companies in the *American Banker's* performance surveys. Its average ROA from 1982 to 1987 was 1.33%. Its market-to-book ratio averaged 187.41 over the period. And its ROE averaged 17.96%, falling from a high of 20.36% in 1982 to 15.25% last year.

For the six-year period, Banc One's earnings grew by more than 236% from $62 million in 1982, when it ranked 34th nationwide, to $208.9 million last year, when it ranked fourth. Banc One is considered a merger specialist with a remarkable ability to assimilate acquired institutions. ■

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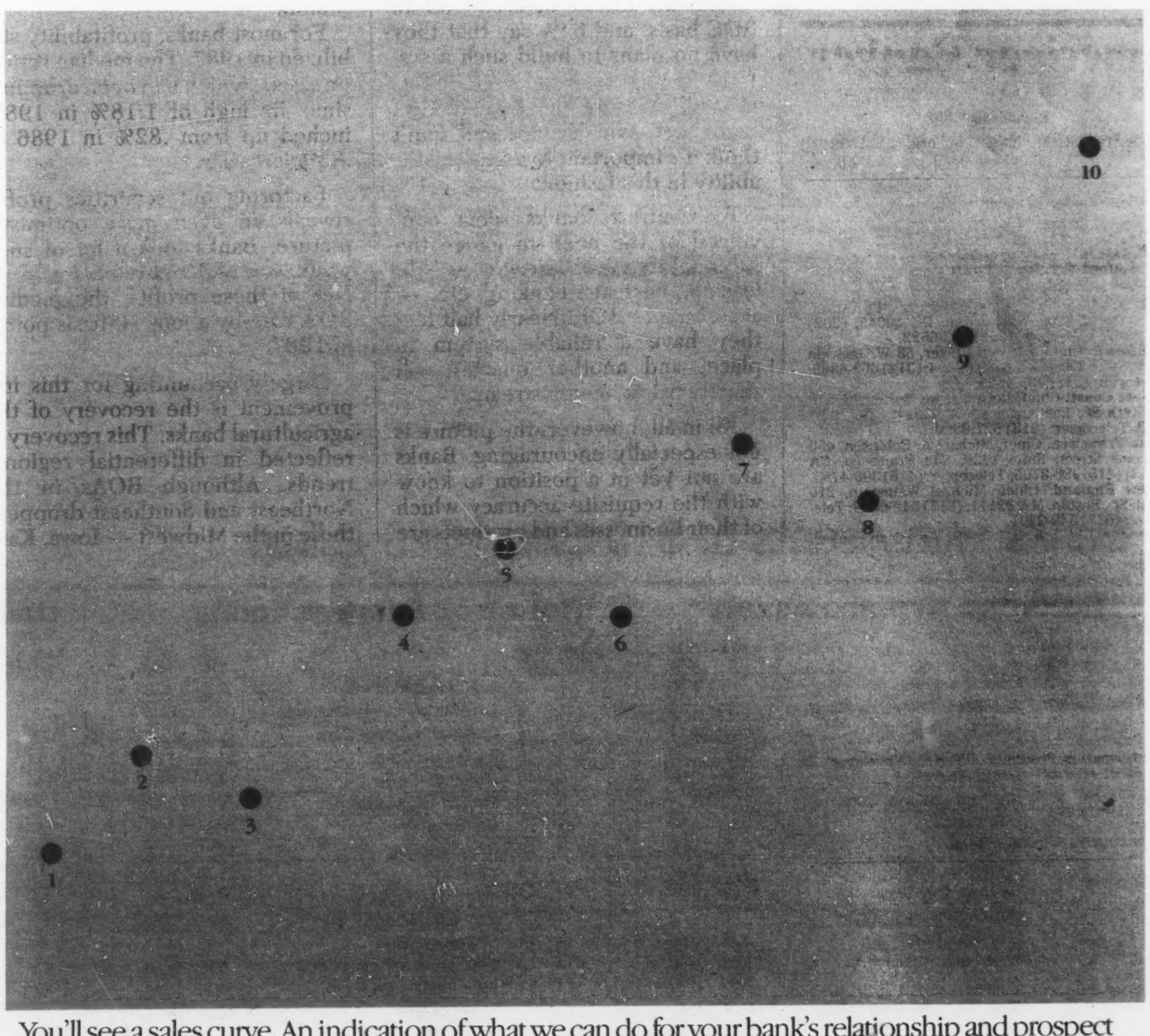

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1987 Performance of Top U.S. Banking Companies

Money Center Banks

Return on Average Assets

Rank 1987*	Rank 1987	Rank 1986		ROA 1987*	ROA 1987	ROA 1986	ROA 1985
1	3	4	Bank of Boston Corp.	1.70	0.08	0.78	0.73
2	2	1	J.P. Morgan & Co., Inc.	1.10	0.10	1.19	1.06
3	4	3	Bankers Trust New York Corp.	1.09	0.00	0.79	0.79
4	9	5	First Chicago Corp.	0.69	-1.31	0.71	0.43
5	11	12	Continental Illinois Corp.	0.59‡	-1.90	0.35	0.47
6	6	8	Irving Bank Corp.	0.51†	-0.80	0.60	0.55
7	5	9	Citicorp	0.45	-0.57	0.57	0.62
8	7	7	Chase Manhattan Corp.	0.42	-0.91	0.65	0.65
9	1	2	Republic New York Corp.	0.39	0.16	0.85	0.93
10	10	10	Manufacturers Hanover Corp.	0.30	-1.49	0.54	0.54
11	8	6	Chemical Banking Corp.	-0.33	-1.17	0.70	0.70
12	12	11	Mellon Bank Corp.	-1.11‡	-2.59	0.54	0.67
			Mean Values for Group	0.48	-0.87	0.69	0.68
			Median Values for Group	0.48	-0.86	0.68	0.66

Return on Average Equity

Rank 1987*	Rank 1987	Rank 1986		ROE 1987*	ROE 1987	ROE 1986	ROE 1985
1	3	4	Bank of Boston Corp.	26.57	0.42	15.51	13.77
2	4	2	Bankers Trust New York Corp.	22.48	0.04	16.48	16.62
3	2	1	J. P. Morgan & Co., Inc.	18.09	1.48	18.94	18.06
4	8	7	First Chicago Corp.	15.85	-34.23	13.40	8.31
5	11	12	Continental Illinois Corp.	14.70‡	-50.15	6.77	11.29
6	6	8	Irving Bank Corp.	13.20†	-22.95	13.24	12.96
7	5	6	Citicorp	10.63	-16.49	13.80	15.16
8	7	9	Chase Manhattan Corp.	9.55	-25.30	13.05	13.36
9	10	10	Manufacturers Hanover Corp.	6.99	-45.87	12.09	12.31
10	1	3	Republic New York Corp.	6.93	1.90	16.01	14.36
11	9	5	Chemical Banking Corp.	-11.36	-35.27	14.15	15.01
12	12	11	Mellon Bank Corp.	-27.62‡	-66.10	10.01	12.21
			Mean Values for Group	8.83	-24.38	13.62	13.62
			Median Values for Group	11.92	-24.13	13.60	13.57

Banks with Assets over $20 Billion

Return on Average Assets

Rank 1987	Rank 1986		ROA 1987	ROA 1986
1	5	SunTrust Banks, Inc.	1.11	1.03
2	2	First Union Corp., Inc.	1.10	1.30
3	4	Sovran Financial Corp.	1.10	1.08
4	7	Barnett Banks, Inc.	0.89	0.92
5	6	Citizens & Southern Corp.	0.84	0.95
6	1	Fleet/Norstar Financial Gp. (a)	0.80	1.37
7	3	PNC Financial Corp.	0.79	1.22
8	11	NBD Bancorp., Inc.	0.73	0.83
9	10	NCNB Corp.	0.62	0.84
10	8	Bank of New England Corp.	0.52	0.92
11	9	Bank of New York Co., Inc.	0.46	0.85
12	12	First Bank System, Inc.	0.18	0.76
13	13	Wells Fargo & Co.	0.11	0.73
14	14	Security Pacific Corp.	0.02	0.71
15	17	Norwest Corp.	-0.15	0.62
16	20	BankAmerica Corp.	-0.96	-0.47
17	15	First Interstate Bancorp.	-1.08	0.68
18	19	MCorp	-1.22	-0.38
19	16	Marine Midland Banks, Inc.	-1.67	0.65
20	18	First RepublicBank Corp.	-2.35	0.25
		Mean Values for Group	0.09	0.74
		Median Values for Group	0.49	0.84

Return on Average Equity

Rank 1987	Rank 1986		ROE 1987	ROE 1986
1	7	SunTrust Banks, Inc.	17.91	17.00
2	3	Sovran Financial Corp.	17.74	18.16
3	1	First Union Corp., Inc.	16.67	20.19
4	8	Barnett Banks, Inc.	16.07	16.99
5	6	Citizens & Southern Corp.	14.84	17.61
6	14	NBD Bancorp., Inc.	12.49	13.75
7	4	PNC Financial Corp.	12.16	18.14
8	2	Fleet/Norstar Financial Gp. (a)	11.97	20.00
9	9	NCNB Corp.	11.84	16.93
10	5	Bank of New England Corp.	10.01	17.64
11	10	Bank of New York Co., Inc.	9.43	16.08
12	11	First Bank System, Inc.	3.28	15.97
13	12	Wells Fargo & Co.	1.48	15.76
14	13	Security Pacific Corp.	0.03	15.47
15	17	Norwest Corp.	-3.51	9.81
16	15	First Interstate Bancorp.	-23.67	13.01
17	19	MCorp	-33.31	-8.98
18	20	BankAmerica Corp.	-34.96	-16.12
19	16	Marine Midland Banks, Inc.	-43.01	12.08
20	18	First RepublicBank Corp.	-70.91	4.10
		Mean Values for Group	-2.67	12.68
		Median Values for Group	9.72	16.03

Gain in Earnings/Share

Rank 1987	Rank 1986		% Gain 1987	% Gain 1986
1	13	SunTrust Banks, Inc.	18.6	12.7
2	8	Sovran Financial Corp.	12.6	18.4
3	10	Barnett Banks, Inc.	10.5	15.0
4	15	Citizens & Southern Corp.	-4.2	10.5
5	5	NBD Bancorp., Inc.	-6.2	20.9
6	1	First Union Corp., Inc.	-6.3	32.0
7	16	NCNB Corp.	-19.8	10.0
8	2	Fleet/Norstar Financial Gp. (a)	-26.0	24.9
9	3	PNC Financial Corp.	-27.5	22.7
10	11	Bank of New England Corp.	-35.2	13.9
11	9	Bank of New York Co., Inc.	-40.2	16.7
12	6	First Bank System, Inc.	-78.7	20.4
13	4	Wells Fargo & Co.	-89.7	21.2
14	14	Security Pacific Corp.	-99.8	11.7
–	17	First Interstate Bancorp.	N.A.	5.1
–	18	BankAmerica Corp.	N.A.	-39.6
–	12	Norwest Corp.	N.A.	13.8
–	7	Marine Midland Banks, Inc.	N.A.	18.6
–	19	First RepublicBank Corp.	N.A.	-65.0
–	20	MCorp	N.A.	-173.2
		Mean Values for Group	-28.0	0.5
		Median Values for Group	-22.9	14.5

Banks with Assets of $10 Billion-$20 Billion

Return on Average Assets

Rank 1987	Rank 1986		ROA 1987	ROA 1986
1	1	Banc One Corp.	1.19	1.36
2	7	CoreStates Financial Corp.	1.10	1.08
3	4	MNC Financial, Inc.	1.00	1.11
4	2	First Wachovia Corp.	0.97	1.15
5	10	Midlantic Corp.	0.96	0.95
6	3	Hartford National Corp.	0.90	1.11
7	12	U.S. Bancorp.	0.83	0.90
8	5	KeyCorp.	0.76	1.09
9	18	Comerica, Inc.	0.74	0.67
10	6	National City Corp.	0.69	1.09
11	17	Harris Bankcorp, Inc.	0.40	0.69
12	14	Shawmut Corp.	0.33	0.88
13	11	First Fidelity Bancorp.	0.32	0.90
14	13	Fidelcor, Inc.	0.32	0.90
15	16	Southeast Banking Corp.	0.31	0.81
16	8	Signet Banking Corp.	0.24	1.04
17	9	AmeriTrust Corp.	-0.10	1.03
18	15	Valley National Corp.	-0.41	0.85
19	19	First City Bancorp of Texas, Inc.	-8.70‡	-2.45
		Mean Values for Group ★	0.59	0.98
		Median Values for Group ★	0.72	0.99

Return on Average Equity

Rank 1987	Rank 1986		ROE 1987	ROE 1986
1	1	MNC Financial, Inc.	16.69	18.23
2	8	CoreStates Financial Corp.	16.10	16.04
3	4	Hartford National Corp.	15.47	17.92
4	5	Banc One Corp.	15.25	17.57
5	10	Midlantic Corp.	14.98	15.61
6	6	First Wachovia Corp.	14.27	17.53
7	16	Comerica, Inc.	12.85	11.91
8	15	U.S. Bancorp.	12.21	12.78
9	9	KeyCorp.	11.73	15.85
10	3	National City Corp.	11.16	17.95
11	18	Harris Bankcorp, Inc.	6.10	10.39
12	14	Shawmut Corp.	5.38	14.17
13	12	Southeast Banking Corp.	5.23	14.90
14	11	First Fidelity Bancorp.	4.99	14.98
15	7	Fidelcor, Inc.	4.37	16.45
16	2	Signet Banking Corp.	4.11	18.26
17	17	AmeriTrust Corp.	-1.29	11.12
18	13	Valley National Corp.	-7.21	14.81
-19		First City Bancorp of Texas, Inc.	N.A.	-54.44
		Mean Values for Group ★	9.02	15.36
		Median Values for Group ★	11.45	15.73

Gain in Earnings/Share

Rank 1987	Rank 1986		% Gain 1987	% Gain 1986
1	7	U.S. Bancorp.	41.7	15.3
2	3	MNC Financial, Inc.	19.3	21.4
3	11	Comerica, Inc.	13.8	12.4
4	2	CoreStates Financial Corp.	9.5	30.3
5	18	Midlantic Corp.	7.3	-0.2
6	5	Banc One Corp.	1.9	16.2
7	10	Hartford National Corp.	1.4	12.8
8	16	First Wachovia Corp.	-9.7	2.3
9	12	KeyCorp.	-15.4	12.3
10	9	National City Corp.	-32.0	13.5
11	4	Harris Bankcorp, Inc.	-37.5	18.4
12	15	Shawmut Corp.	-58.6	5.8
13	1	Southeast Banking Corp.	-62.0	32.2
14	8	First Fidelity Bancorp.	-64.8	15.1
15	13	Fidelcor Inc.	-71.4	10.3
16	6	Signet Banking Corp.	-76.0	15.7
–	14	Valley National Corp.	N.A.	8.0
–	17	AmeriTrust Corp.	N.A.	0.9
–	19	First City Bancorp of Texas, Inc.	N.A.	-1,793
		Mean Values for Group ★	-20.8	13.5
		Median Values for Group ★	-12.6	13.2

Data Sources: Unless otherwise noted, all data are were provided to American Banker by **Cates Consulting Analysts, New York** The data were compiled by **American Banker**. **(*)—** Based on net income for 1987 that was **"adjusted"** by Cates to exclude the after-tax values of securities gains-/losses, non-recurring items, and the one-time special provisions attributable to Third World debt. Cates calls this "recurring" net income. **Definitions and methodology**: for a complete description of the information contained in this table, see page 10. **(‡)—** Calculated by American Banker from information supplied by the bank. **(†)—** Calculated by the company for this survey. **(★)—** Excludes First City Bancorp. of Texas, Inc., Houston. **N.A.**- Not available.

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Performance Group Means: 1987, 1986, and 1983

	1987 ROA	1987 ROE	1987 Mkt/Book	1986 ROA	1986 ROE	1986 Mkt/Book	1983 ROA	1983 ROE	1983 Mkt/Book
Money center banks	0.48*	11.92*	93.99	0.68	13.60	90.97	0.65	14.46	76.51
Banks with assets over $20 billion	0.49	9.72	125.83	0.84	16.03	135.97	0.55	11.33	81.40
Banks with assets of $10 billion to $20 billion	0.72	11.45	123.90	0.99	15.73	139.49	0.75	15.74	86.64

(*)— Based on adjusted net income (net income minus non-recurring items).

1987 Performance of Top U.S. Banking Companies

How the Market Looks at Banks

Mkt-Book Rank 1987	Mkt-Book Rank 1986		Ratio of Market-to-Book Value 1987	Ratio of Market-to-Book Value 1986	Price Earnings Multiple 1987	Price Earnings Multiple 1986	Dividend Yield (%) 1987	Dividend Yield (%) 1986
		Money Center Banks						
1	1	**J. P. Morgan & Co., Inc.**	135.98	169.58	92.64	9.81	4.15	2.71
2	2	**Republic New York Corp.**	131.03	155.61	69.14	11.63	2.62	2.17
3	6	**Irving Bank Corp.**	116.72	95.23	....	7.54	4.69	4.04
4	4	**Bank of Boston Corp.**	107.45	118.51	253.80	7.86	4.26	3.45
5	7	**First Chicago Corp.**	96.03	86.70	....	7.80	6.45	4.13
6	3	**Bankers Trust New York Corp.**	94.95	128.93	....	8.32	5.24	3.06
7	11	**Continental Illinois Corp.**	93.02	73.88	....	18.77	1.94	0.36
8	5	**Citicorp**	89.27	101.43	....	7.93	6.48	4.34
9	9	**Mellon Bank Corp.**	80.99	82.44	....	8.47	5.66	5.26
10	8	**Chemical Banking Corp.**	62.58	84.40	....	6.26	12.15	5.49
11	10	**Chase Manhattan Corp.**	59.12	73.90	....	5.90	9.44	5.24
12	12	**Manufacturers Hanover Corp.**	52.96	62.90	....	5.31	14.74	6.95
		Mean Values for Group	93.34	102.79	138.53	8.80	6.49	3.93
		Median Values for Group	93.99	90.97	92.64	7.90	5.45	4.09
		Banks with Assets over $20 Billion						
1	6	**SunTrust Banks, Inc.**	186.76	161.05	11.12	11.56	2.82	2.98
2	5	**PNC Financial Corp.**	171.83	162.42	14.55	9.01	3.94	3.54
3	4	**Sovran Financial Corp.**	163.78	170.73	9.84	10.02	3.99	3.78
4	1	**Fleet/Norstar Financial Group**	163.21	185.58	14.12	10.08	3.83	2.77
5	2	**Barnett Banks, Inc.**	157.62	173.05	10.62	11.04	2.66	2.42
6	8	**Wells Fargo & Co.**	143.86	153.70	96.63	11.03	3.32	2.81
7	7	**Citizens & Southern Corp.**	141.18	159.07	9.97	9.84	4.46	3.52
8	3	**First Union Corp., Inc.**	137.72	171.00	8.78	9.15	3.57	2.61
9	10	**Bank of New England Corp.**	135.27	142.54	13.67	9.09	4.45	3.41
10	15	**Norwest Corp.**	125.83	104.76	....	11.06	4.11	4.47
11	14	**NBD Bancorp., Inc.**	124.60	110.29	10.16	8.33	3.40	3.50
12	9	**NCNB Corp.**	116.12	144.64	10.22	9.39	4.43	3.28
13	13	**Security Pacific Corp.**	113.43	122.20	....	8.36	5.67	3.57
14	11	**First Bank System, Inc.**	105.47	129.39	31.68	8.63	6.49	3.08
15	12	**Bank of New York Co., Inc.**	91.41	124.45	10.35	7.95	5.85	3.92
16	16	**First Interstate Bancorp.**	90.11	96.13	....	7.84	7.00	4.72
17	18	**BankAmerica Corp.**	53.81	65.75	....	....	0.00	0.00
18	20	**MCorp**	16.54	42.16	....	....	0.00	0.00
19	19	**First RepublicBank Corp.**	11.24	50.07	....	12.20	0.00	8.15
--	17	**Marine Midland Banks, Inc.**	N.A.	81.84	N.A.	7.08	N.A.	4.01
		Mean Values for Group	118.41	127.54	19.36	9.54	3.68	3.33
		Median Values for Group	125.83	135.97	10.62	9.27	3.94	3.46
		Banks with Assets of $10 Billion-$20 Billion						
1	1	**Banc One Corp.**	179.08	182.57	12.50	11.03	3.39	3.25
2	2	**First Wachovia Corp.**	162.91	182.40	12.04	11.14	3.08	2.65
3	6	**CoreStates Financial Corp.**	153.09	148.51	10.01	9.63	3.83	3.69
4	8	**Fidelcor, Inc.**	152.60	141.88	34.73	9.40	3.87	3.72
5	9	**National City Corp.**	144.21	139.49	13.03	8.43	4.72	4.14
6	16	**Comerica, Inc.**	134.80	110.97	11.01	9.61	3.52	4.20
7	3	**Signet Banking Corp.**	134.58	161.29	32.65	9.67	4.76	3.63
8	5	**Midlantic Corp.**	127.21	149.58	9.06	10.43	3.71	3.04
9	7	**MNC Financial, Inc.**	123.90	142.31	7.90	8.57	3.80	3.04
10	4	**Hartford National Corp.**	119.35	152.23	8.08	9.53	5.45	4.34
11	12	**First Fidelity Bancorp.**	118.38	123.55	23.45	8.71	5.41	4.52
12	14	**U.S. Bancorp.**	117.57	119.27	9.29	9.77	4.06	2.96
13	10	**KeyCorp.**	109.58	129.40	9.50	8.58	5.24	3.98
14	13	**Shawmut Corp.**	108.02	120.68	19.88	9.37	5.27	3.98
15	11	**Southeast Banking Corp.**	103.58	127.02	20.29	9.28	4.32	3.16
16	17	**AmeriTrust Corp.**	94.85	97.96	N.A.	9.08	5.71	4.42
17	15	**Valley National Corp.**	94.39	113.06	N.A.	8.05	5.19	3.38
--	--	**Harris Bankcorp., Inc.**	N.A.	N.A.	N.A.	N.A.	N.A	N.A
--	18	**First City Bancorp of Texas, Inc.**	N.A.	24.17	N.A.	N.A.	N.A.	0.00
		Mean Values for Group †	**128.12**	**137.77**	**15.56**	**9.43**	**4.43**	**3.65**
		Median Values for Group†	**123.90**	**139.49**	**12.04**	**9.40**	**4.32**	**3.69**

Performance Study Peer Groups

Asset Rank 1987		Assets 12/31/87
	Money Center Banks	
1	**Citicorp, New York**	$203,607,000,000
2	**Chase Manhattan Corp., New York**	99,133,396,000
3	**Chemical Banking Corp., New York**	78,189,000,000
4	**J.P. Morgan & Co., Inc., New York**	75,414,000,000
5	**Manufacturers Hanover Corp., New York**	73,348,117,000
6	**Bankers Trust New York Corp.**	56,520,593,000
7	**First Chicago Corp.**	44,209,268,000
8	**Bank of Boston Corp.**	34,116,638,000
9	**Continental Illinois Corp., Chicago**	32,391,000,000
10	**Mellon Bank Corp., Pittsburgh**	30,525,000,000
11	**Irving Bank Corp., New York**	23,533,516,000
12	**Republic New York Corp.**	22,387,555,000
	Banks with Assets over $20 Billion	
1	**BankAmerica Corp., San Francisco**	92,833,000,000
2	**Security Pacific Corp., Los Angeles**	72,838,000,000
3	**First Interstate Bancorp., Los Angeles**	50,926,582,000
4	**Wells Fargo & Co., San Francisco**	44,183,300,000
5	**First RepublicBank Corp., Dallas**	33,210,686,000
6	**PNC Financial Corp, Pittsburgh**	31,432,569,000
7	**Bank of New England Corp., Boston**	29,474,763,000
8	**NCNB Corp., Charlotte, N.C.**	28,915,438,000
9	**First Union Corp., Charlotte, N.C.**	27,629,481,000
10	**SunTrust Banks, Inc., Atlanta**	27,187,889,000
11	**First Bank System, Inc., Minneapolis**	26,849,592,000
12	**Marine Midland Banks, Inc., Buffalo, N.Y.**	25,453,332,000
13	**Fleet/Norstar Financial Group, Inc., Providence (a)**	24,530,611,000
14	**Barnett Banks, Inc., Jacksonville**	23,451,199,000
15	**NBD Bancorp., Inc., Detroit**	23,353,573,000
16	**Bank of New York Co., Inc.**	23,064,895,000
17	**Sovran Financial Corp., Norfolk, Va.**	21,233,490,000
18	**Norwest Corp., Minneapolis**	20,747,000,000
19	**Citizens & Southern Corp., Atlanta**	20,444,131,000
20	**MCorp, Dallas**	20,228,360,000
	Banks with Assets of $10 Billion-$20 Billion	
1	**First Wachovia Corp., Winston-Salem, N.C.**	19,342,241,000
2	**Banc One Corp., Columbus, Ohio**	18,729,995,000
3	**Midlantic Corp., Edison, N.J.**	17,791,809,000
4	**MNC Financial, Inc., Baltimore (b)**	16,658,377,000
5	**First Fidelity Bancorp., Newark, N.J. (c)**	16,241,317,000
6	**Hartford National Corp., Conn. (d)**	15,690,714,000
7	**CoreStates Financial Corp., Philadelphia**	15,036,107,000
8	**National City Corp., Cleveland**	14,912,397,000
9	**U.S. Bancorp., Portland, Ore.**	13,352,686,000
10	**Southeast Banking Corp., Miami**	12,842,237,000
11	**Fidelcor, Inc., Philadelphia (e)**	12,649,811,000
12	**First City Bancorp. of Texas, Inc., Houston**	12,293,000,000
13	**KeyCorp, Albany, N.Y.**	11,596,368,000
14	**Valley National Corp., Phoenix, Ariz.**	11,299,994,000
15	**Shawmut Corp., Boston (f)**	10,802,585,000
16	**Signet Banking Corp., Richmond**	10,724,413,000
17	**Harris Bankcorp, Inc., Chicago**	10,556,462,000
18	**AmeriTrust Corp., Cleveland**	10,333,747,000
19	**Comerica, Inc., Detroit**	10,115,965,000

Peer groups include all bank holding companies with assets over $10 billion at yearend 1987.
(a) On 1/1/88, Fleet Financial Group, Inc., Providence, merged with Norstar Bancorp., Inc., Albany. All 1986 data used in the survey are for Fleet Financial Group.
(b) On 4/29/87 changed title from Maryland National Corp.
(b) On 2/29/88, acquired Fidelcor, Inc.
(c) On 2/29/88, acquired Shawmut Corp. and changed title to Shawmut National Corp.
(d) Acquired by First Fidelity Bancorp. on 2/29/88.
(e) Acquired by Hartford National Corp. on 2/29/88.
(†) First City Bancorp. of Texas, Inc.is excluded from the calculation of the mean and median values for Peer Group 3 in the "How the Market Looks at Banks" table to the left.
N.A.— Not applicable.

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Definitions and Methodology

The statistical tables for the American Banker's annual performance study were compiled by the American Banker from data provided by Cates Consulting Analysts, New York. Most of the data were taken from two Cates publications: the **Quarterly Performance Report** for Dec. 31, 1987, and the April 1988 issue of **The Bank Analyst**. In addition, Cates provided data on the "adjusted" return on equity (defined below) that previously was not published.

A listing of the 51 banking firms in today's study appears above. The firms are divided into three peer group: Peer Group 1 — 12 Money Center Banks; Peer Group 2 — 20 Banks with assets over $20 Billion on Dec. 31, 1987; and Peer Group 3 — 19 Banks with assets between $10 Billion and $20 billion on Dec. 31, 1987. Within each peer group, the firms are listed in order of their asset size on Dec. 31. Banks that are not owned by holding companies are excluded from the survey.

Last year was a very unusual year for the banking industry. All of the money center banks and many of the large regional banks took special, one-time provisions attributable to Third World debt and other "non-recurring" losses. As a result, net income/loss data for 1987 were affected greatly by these non-recurring items. To make more meaningful comparisons of performance within a peer group, data which eliminated the "noise" in the 1987 data were preferable to the traditional measures of performance— "unadjusted" ROA and ROE.

For the banks in Peer Group 1 only, it was possible to "adjust" all the 1987 returns on average assets and average equity, by eliminating the non-recurring items from net income. Cates' data were available for 9 of the 12 banks in the panel. American Banker calculated the adjusted returns for two banks; and one bank, at American Banker's request, calculated the adjusted returns, based on the Cates' definitions shown below.

In the table called "1987 Performance of Top U.S. Banking Companies", which appears on page 6, the banks in Peer Group 1 are listed in order of the "adjusted" (recurring) return on average assets for 1987 and on the "adjusted" return on average equity. In addition, the "unadjusted" (traditional) 1987 ROA and ROE figures and peer group ranks are reported for each bank.

The banking firms in Peer Groups 2 and 3 are ranked by three measures of performance: the traditional return on average assets; the traditional return on average equity; and percentage change in earnings per share. It was not possible to adjust the data for all of the banks in Panels 2 and 3, since Cates' data were available for only 15 of the 39 banks comprising both panels.

Net income is income after taxes but before extraordinary items for the full year 1987. American Banker calls it **unadjusted net income.** In the **Bank Analyst**, this was referred to as "nominal" net income.

Adjusted net income is net income minus the after-tax values of securities gains/losses, non-recurring items, and the one-time special provisions attributable to Third World debt. In the **Bank Analyst**, this was referred to as "recurring" net income.

The "unadjusted" return on average assets, as defined by Cates, is net income divided by a daily average of total assets. If daily average assets is not available, Cates uses the mean of Dec. 31, 1986, and Dec. 31, 1987.

The "adjusted" return on average assets, as defined by Cates, is adjusted net income divided by a daily average of total assets.

The "unadjusted" return on average equity is net income minus preferred stock dividends divided by average common shareholders' equity. Here, average equity is computed by taking the mean of Dec. 31, 1986 and Dec. 31, 1987, common equity.

The "adjusted" return on average equity is adjusted net income divided by average common shareholders' equity.

The percentage change in earnings per share is the difference of earnings per share (12/87-12/86) divided by earnings per share 12/86. Earnings per share is primary, based on net income before extraordinary items, and for the 12-month period.

In this listing **American Banker** shows the 1986 data as reported in 1987; lists firms geographically if two or more firms have the identical return on assets for 1987; calculates the group mean; and calculates the group median.

The group **mean** is calculated by summing all of the values and dividing that number by the total number of observations. The **median** is obtained by finding the midpoint of the array of values.

Important survey changes: American Banker has redefined its peer groups this year. The number of "Money Center Banks" has been reduced from 14 to 12. Peer Group 2 has been changed from banks with assets of $10 billion-to-$20 billion to banks with $20 billion or more in assets. And Peer Group 3 has been changed from banks with $5 billion to $10 billion in assets to banks with $10 billion to $20 billion in assets.

To make meaningful comparisons with 1986, all of the 1986 ranks, means, and medians for each peer group have been recalculated. They are based on the banks in the respective panels for this year's survey.

Market-to-book value for 1987 is the stock price divided by the book value per share. Cates uses the bid price on common stock as of Feb. 5, 1988, or the closest trade date, and divides this by book value per share on Dec. 31, 1987. The market-to-book value for 1986 is calculated by dividing the bid price on common stock as of Jan. 31, 1987, or the closest trade date, by book value per share on Dec. 31, 1986.

The price earnings multiple is the stock price, as defined above, divided by earnings per share.

The dividend yield is the indicated annual dividend divided by the stock price as defined above.